

Message Text

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/066 W

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R 300110Z MAR 77

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 0110

INFO AMCONSUL MEDAN

AMCONSUL SURABAYA

C O N F I D E N T I A L SECTION 1 OF 4 JAKARTA 3991

STADIS////////////////////////////////////

E.O. 11652: GDS

TAGS: AMGT, PFOR, ID

SUBJECT: PARM: ANNUAL POLICY AND RESOURCE ASSESSMENT; PART II:
RESOURCES ASSESSMENT

REF: A. STATE 038356 B. JAKARTA 3910

A. STATE

1. POLITICAL: PARLIAMENTARY AND PRESIDENTIAL ELECTION PROCESS, WHICH WILL BE CONCLUDED PRIOR TO FY 1979, SHOULD USHER IN WIDE RANGE OF POLITICAL CHANGES AND ACCOMODATIONS. ALTHOUGH PRESIDENT SHUARTO LIKELY REMAIN IN OFFICE, OTHER MEMBERS OF "1945 GENERATION" WILL GRADUALLY RETIRE, PASSING POWER TO YOUNGER GROUP OF LEADERS. POLITICAL SECTION WILL BE RESPONSIBLE FOR EARLY INDENTIFICATION AND EVALUATION OF THESE NEW LEADERS AND FOR ASSESSING IMPACT OF PERSONNEL CHANGES ON POWER STRUCTURE AND GOVERNMENTAL POLICIES. HUMAN RIGHTS PROMOTION AND REPORTING WILL REMAIN IMPORTANT AS PROJECTED GOI PROGRAM OF RELEASING POLITICAL DETAINEES CULMINATES AND PROBLEMS CONCERNED WITH THEIR RETURNED TO SOCIETY ARISE. ORIENTATION OF OUR ECONOMIC ASSISTANCE
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PROGRAMS TOWARD RURAL PROJECTS WILL REQUIRE PTLITICAL SECTION TO INCREASE FREQUENCY OF TRIPS TO COUNTRYSIDE TO OBSERVE AND EVALUATE POLITICAL IMPACT ON LOCAL CONDITIONS AND ATTITUDES. TREND OF INCREASING ASEAN COOPERATION IN POLITICAL AND SECURITY MATTERS WILL NECESSITATE MORE ATTENTION BY SECTION TO INDONESIA'S RELATIONSHIPS WITH HER NEIGHBORS AND TO ASEAN RELATIONSHIPS WITH UNITED STATES. RESTORATION OF INDONESIA'S

DIPLOMATIC RELATIONS WITH PRC WILL LIKELY TAKE PLACE JUST PRIOR TO FY 1979, WITH RESULTING INTENSIFICATION OF GOI CONTACT WITH PRC AND POSSIBLE REPERCUSSIONS ON GOI ATTITUDES TOWARDS ITS LARGE CHINESE MINORITY. THESE WILL REQUIRE EXTENSIVE MONITORING. MAJOR COMPONENTS OF POLITICAL SECTION'S WORKLOAD FOR FY 1979 WILL REQUIRE THE FULL UTILIZATION OF TIME AND ENERGIES OF SECTION'S FOUR OFFICERS AND TWO SECRETARIES, AND WILL MAKE EVEN MORE ESSENTIAL ADDITION OF LOCAL POLITICAL ASSISTANT.

2. ECONOMIC-COMMERCIAL: ECONOMIC AND COMMERCIAL RELATIONS BETWEEN U.S. AND INDONESIA HAVE GROWN STEADILY IN RECENT YEARS. U.S. FIRMS HAVE BROUGHT INTO INDONESIA MORE THAN \$4 BILLION IN CAPITAL AND EQUIPMENT AND TWO-WAY TRADE BETWEEN THE U.S. AND INDONESIA NOW EXCEEDS \$3 BILLION PER ANNUM. NUMBER OF ASPECTS OF THE SECTION'S WORKLOAD WILL INCREASE OVER NEXT TWO YEARS: (A) INDONESIA'S INCREASINGLY IMPORTANT ROLE AS SPOKESMAN FOR LDCA ON NORTH-SOUTH ISSUES WILL MEAN THAT OUR REPORTING ON THESE ISSUES WILL HAVE TO BE GIVEN INCREASED EMPHASIS; (B) LOCATION OF ASEAN SECRETARIAT IN JAKARTA WILL REQUIRE US TO BECOME INCREASINGLY INVOLVED IN LIAISON WITH AND REPORTING ON ASEAN AS THAT ORGANIZATION GAINS STRENGTH AND IMPORTANCE AS FOCAL POINT FOR OUR SOUTHEAST ASIAN POLICY INITIATIVES; (C) CONSULTATION AND LIAISON WITH GOI ON ENERGY MATTERS, INCLUDING PRICING CONDITIONS, WILL GROW IN LINE WITH INCREASING IMPORTANCE OF INDONESIA AS A SUPPLIER FOR U.S. ENERGY NEEDS; (D) MONITORING OF INDONESIA'S OVERALL FINANCIAL SITUATION WILL BECOME MORE IMPORTANT OVER NEXT SEVERAL

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YEARS AS INDONESIA ATTEMPTS TO WORK ITS WAY OUT OF SEVERE FINANCIAL PROBLEMS IMPOSED BY NEAR-COLLAPSE OF ITS STATE-OWNED OIL COMPANY (PERTAMINA) IN 1975; (E) INCREASED CONSULTATION WITH AND ASSISTANCE TO U.S. INVESTORS AND TRADERS WILL OCCUPY FAR GREATER AMOUNT OF THE SECTION'S MANPOWER OVER THE NEXT FEW YEARS AS THE SIZE AND IMPORTANCE OF THE U.S. COMMERCIAL PRESENCE INCREASES. THESE AND OTHER TASKS ASSOCIATED WITH SIZE AND IMPORTANCE OF U.S. STAKE IN INDONESIA WILL FULLY OBSORB THE WORKING ENERGIES OF THE ECONOMIC AND COMMERCIAL SECTION STAFF OF EIGHT OFFICERS (INCLUDING THE LABOR ATTACHE), THREE SECRETARIES, AND SIX LOCAL EMPLOYEES.

3. CONSULAR: THE CONSULAR SECTION IN JAKARTA, MEDAN AND SURABAYA WILL CONTINUE TO PLAY AN IMPORTANT ROLE IN THE STEADILY EXPANDING RELATIONS BETWEEN INDONESIAN AND AMERICAN SOCIETIES BY SERVING AS FIRST POINT OF CONTACT FOR INCREASINGLY FLOW OF INDONESIAN VISITORS TO U.S. AND BY HELPING IN NUMBER OF WAYS MORE THAN 7,000 AMERICAN

RESIDENTS ADJUST TO VERY DIFFERENT LEGAL AND JUDICIAL
ENVIRONMENT HERE. IN THIS RESPECT AND IN ITS EFFORTS
TO IMPROVE DURATION AND ENTRY STIPULATIONS OF INDONESIAN
VISITOR VISAS, CONSULAR SECTION DIRECTLY SERVES OBJECTIVE
OF IMPROVING INVESTMENT AND TRADE ARRANGEMENTS BETWEEN
TWO COUNTRIES.

4. ADMINISTRATION: JOINT ADMINISTRATIVE OFFICE (JAO),
BECAUSE OF BALPA AND OPRED RESTRICTIONS, IS OPERATING WITH
APPROXIMATELY SAME NUMBER OF AMERICAN AND LOCAL PAYROLLED
EMPLOYEES AS IT DID IN 1967 (APPROXIMATELY 40 PERCENT OF RE-
QUIRED STAFFING). SINCE THAT TIME, HOWEVER, DEMANDS PLACED ON
JAO - AND ESPECIALLY ON GSO AND B&F COMPONENTS - HAVE
GREATLY INCREASED, KEYED TO THE EXPANDING MISSION COMMERCIAL,
ECONOMIC ASSISTANCE AND MILITARY AID PROGRAMS. THE GROWTH
OF THE USAID PROGRAM, WHICH TODAY HAS 12 MORE AMERICAN AND
30 MORE LOCAL POSITIONS THAN A YEAR AGO AND OPERATES IN
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CITIES AND PROJECTS DISPERSED THROUGHOUT INDONESIA, HAS
PARTICULARLY ADDED TO THE JAO WORKLOAD. PROJECTING A
CONSTANT (OR EVEN INCREASED) LEVEL OF U.S. INTEREST AND
PRESENCE IN INDONESIA, JAO WILL REQUIRE THE SAME RESOURCES
AS AT PRESENT, WITH A CONTINUING NEED FOR INTERNAL
REPROGRAMMING TO HANDLE SHORT TERM SHIFTS IN WORKLOAD.
POSITION OF DISBURSING OFFICER CAN, HOWEVER, BE ELIMINATED
WHEN THIS FUNCTION IS CENTRALIZED IN BANGKOK.

5. COMMUNICATIONS AND SECURITY: OPERATIONS OF BOTH SY AND
C&R HAVE INCREASED IN TANDEM WITH OTHER ADMINISTRATIVE
FUNCTIONS DISCUSSED PREVIOUS PARAGRAPH. SY OFFICE HAS IN
RECENT YEARS ASSUMED AN IMPORTANT NEW FUCTION, COORDINATION
OF THE MISSION ANTI-TERRORIST PROGRAM, WITHOUT ADDITIONAL
PERSONNEL. C&R, WHICH WAS REDUCED BY ONE AMERICAN
POSITION A YEAR AGO, WILL PROBABLY HANDLE EVEN HEAVIER TRAFFIC
LOADS IN THE IMMEDIATE FUTURE. THESE OFFICES MUST THEREFORE
REMAIN AT PRESENT STRENGTH.

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6. MISSION STAFFING CHART:

CURRENT FY 1977

	AMERICAN	AMERICAN	FSL	FSL
AGENCY/DUNCTION	OFFICERS	STAFF	PROFESS	STAFF

STATE:

JAKARTA:

EXECUTIVE	3	3		2
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POLITICAL	5	4		3
-----------	---	---	--	---

ECON/COMM	8	3	2	4
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CONSULAR	3			5
----------	---	--	--	---

ADMINISTRATIVE:

CORE	13#	12#	3	50
------	-----	-----	---	----

DAS	7		1	18
-----	---	--	---	----

COMMUNICATIONS	3	9		6
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SECURITY	1	1		2
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FSI (3306)		1		
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SURABAYA:

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EXECUTIVE	1			
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POLITICAL	1			
-----------	---	--	--	--

ECON/COMM	1			1
-----------	---	--	--	---

CONSULAR				1
----------	--	--	--	---

ADMINISTRATIVE:

CORE	1			5
------	---	--	--	---

COMMUNICATIONS		1		
----------------	--	---	--	--

MEDAN:

EXECUTIVE	1	1##		
-----------	---	-----	--	--

ECON/COMM	1			1
-----------	---	--	--	---

CONSULAR	1			1
----------	---	--	--	---

ADMINISTRATIVE: 1 6
 COMMUNICATIONS 1

STATE TOTALS

INDONESIA 47 25 7 97

#INCLUDES 3 USAID POSITIONS AND 1 PIT POSITION.

##INCLUDES 1 PIT POSITION.

USIS:

JAKARTA 11 1 21 35

MEDAN 1 2 2

SURABAYA 1 2 3

TOTALS INDONESIA 13 1 25 40

USAID:

JAKARTA 52 7 60 43

MEDAN 1

SURABAYA 1

UJUNG PANDANG 1

SEMARANG 1

BANDUNGVF 1

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DOD:

JAKARTA-ATTACHE 6 4 5

-MIL GROUP

(USDLG) 26 23 22

SURABAYA-MIL GROUP 3 1

BANDUNG-MIL GROUP 1 4

MALANG-MIL GROUP 1 1

LIBRARY OF CONGRESS:

JAKARTA 1 7 8

AGRICULTURE/FAS:

JAKARTA 1# 1 1#

#ONE ADDITIONAL PENDING EACH CATEGORY.

NAMRU II:

JAKARTA 8 2 3 47

DEA:

JAKARTA 1# 1 1

ONE ADDITIONAL REQUESTED PRIOR TO END OF FY 1977.

PROJECTED FY 1979 REQUIREMENTS

	AMERICAN	AMERICAN	FLS	FLS
AGENCY/FUNCTION	OFFICERS	STAFF	PROFESS	STAFF

STATE:

JAKARTA:

EXECUTIVE	3	3		2
POLITICAL	5	4	1	3
ECON/COMM	8	3	3	4
CONSULAR	3			6
COMMUNICATIONS	3	9		6
SECURITY	1	1		2
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ADMINISTRATIVE:

CORE	9#	2#	3	42
DAS	7		1	18
FSI (3306)			1	

SURABAYA:

EXECUTIVE	1			
POLITICAL	1			
ECON/COMM	1			1
CONSULAR				1

ADMINISTRATIVE:

CORE	1			5
------	---	--	--	---

COMMUNICATIONS				1
----------------	--	--	--	---

MEDAN:

EXECUTIVE	1	1##		
ECON/COMM	1			1
CONSULAR	1			1
COMMUNICATIONS			1	

ADMINISTRATIVE:

CORE	1			6
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TOTALS INDONESIA	47	25	7	99
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#INCLUDES 3 AID POSITIONS AND 1 PIT POSITION.

INCLUDES 1 PIT POSITION.

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B. OTHER AGENCY PROGRAMS AND RESOURCE LEVELS

1. ECONOMIC ASSISTANCE

A. IBRD IN ITS LATEST REPORT ON INDONESIAN ECONOMY SET MINIMUM NEEDS FOR EXTERNAL BORROWING DURING INDONESIAN FY 1977-78 AT \$2.1 BILLION, OF WHICH \$1.5 BILLION WOULD BE PROVIDED ON CONCESSIONARY AND SEMI-CONCESSIONARY TERMS BY FOREIGN DONORS. SIMILAR NEED WILL UNDOUBTEDLY EXIST IN US FY 1979. EMBASSY PREDICTS REVENUE FROM PETROLUEM, NATION'S BIGGEST EXCHANGE EARNER, IS LIKELY TO STABALIZE AND COULD DECLINE BECAUSE OF COMBINED EFFECTS OF INCREASED DOMESTIC CONSUMPTION, SMALLER RESERVES THAN PREVIOUSLY BELIEVED, AND RECENT DECLINE IN EXPLORATORY DRILLING. INDONESIAN DEBT REPAYMENT BURDEN, WHICH WAS INCREASED BY ASSUMPTION OF STATE OIL COMPANY PERTAMINA DEBTS, WILL CONCURRENTLY REACH PEAK DURING THIS TIME FRAME.

B. INDONESIAN PERFORMANCE CONTINUES TO MERIT ASSISTANCE. RECENT IBRD REPORT PRAISED GOI FOR SUCCESSFULLY PULLING ITSELF OUT OF MAJOR FINANCIAL CRISIS STEMMING FROM MISMANAGEMENT OF PERTAMINA OIL COMPANY. GOI ALSO GOT GOOD MARKS FROM IBRD
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FOR PROGRESS IN CHANGING EMPHASIS OF PUBLIC SECTOR INVESTMENT FROM CAPITAL INTENSIVE INFRASTRUCTURE PROJECTS TO PROGRAMS IMPACTING ON RURAL POOR. THERE ARE AREAS, INCLUDING IN PARTICULAR MOBILIZATION OF DOMESTIC RESOURCES, WHERE GOI PERFORMANCE LAGS, BUT INTER-GOVERNMENTAL GROUP FOR INDONESIA (IGGI) PROVIDES MECHANISM FOR CENTERING GOI ATTENTION ON THESE DEFICIENCIES.

C. IGGI WILL IN FY 79 AS IN PREVIOUS YEARS BE

EXPECTED TO PROVIDE GREAT BULK OF INDONESIA'S CONCESSIONARY BORROWING. WHILE THE WORLD BANK IS BY FAR THE LARGEST IGGI DONOR, THE U.S. CONTRIBUTION IS CONSIDERED BY GOI AND MOST OTHER DONORS AS CRUCIAL TO IGGI CONTINUATION. IGGI IN TURN PLAYS VITAL ROLE IN MAINTAINING PRIVATE FOREIGN INVESTOR CONFIDENCE IN INDONESIA AND, THROUGH IBRD AND IMF, IN DIRECTING GOI TOWARD SOUND ECONOMIC POLICIES. U.S. ASSISTANCE PROGRAM THEREFORE SERVES DIRECTLY OR INDIRECTLY MOST OF THE OBJECTIVES LISTED IN PARA 6 OF PART I (REF B) AND IN PARTICULAR SUPPORTS OBJECTIVES (1) PRESERVATION OF GOI'S BASICALLY MODERATE ORIENTATION, (2) WELL MANAGED, BALANCED ECONOMIC DEVELOPMENT, (3) MUTUALLY PROFITABLE ARRANGEMENTS FOR INVESTMENT AND TRADE AND (4) REASONABLE APPROACH TO ENERGY SUPPLY AND PRICING POLICIES. FOR THIS REASON, WE STRONGLY SUPPORT PROJECTED FY 79 ASSISTANCE LEVEL OF \$160 MILLION (OF WHICH \$40M LOAN, \$10M GRANTS, \$14M POPULATION, AND \$95M PL-480), WHICH CLOSELY APPROXIMATES THAT BUDGETED FOR PREVIOUS TWO FISCAL YEARS.

D. CURRENT U.S. ECONOMIC ASSISTANCE TO INDONESIA EMPHASIZES PROGRAMS DESIGNED TO BENEFIT THE POOR RURAL MAJORITY AS MANDATED IN RECENT FOREIGN ASSISTANCE LEGISLATION. IN HARMONY WITH THE INDONESIAN SECOND FIVE YEAR DEVELOPMENT PLAN, THESE PROGRAMS STRESS THE IMPROVEMENT OF AGRICULTURE, HEALTH AND NUTRITION, AND EDUCATIONAL OPPORTUNITIES. A MAJOR COMPONENT OF THE PROGRAM PROVIDES ASSISTANCE TO THE NATIONAL FAMILY PLANNING EFFORT, REGARDED AS ONE OF THE MOST EFFECTIVE IN THIS PART OF THE WORLD. AMONG RECENT ACTIVITIES ARE LOANS FOR MALARIA CONTROL, RURAL ROADS, INTEGRATED AREA DEVELOPMENT, SMALL SCALE IRRIGATION AND LABOR INTENSIVE RURAL WORKS. EDUCATIONAL

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PROGRAMS INCLUDE GRANTS FOR OVERSEAS TRAINING AND AN EXPERIMENTAL ENDEAVOR IN EDUCATIONAL PLANNING AND FINANCE. THE DEVELOPMENT OF INSTITUTIONS AND FACULTIES OF AGRICULTURAL EDUCATION AND OTHER CENTERS OF HIGHER EDUCATION ARE BEING UNDERTAKEN THROUGH LOAN FUNDING. OTHER ASSISTANCE IS DEVOTED TO PROMOTING RURAL DEVELOPMENT AND EMPLOYMENT GENERATION THROUGH APPLICATION OF LOW-COST, LABOR-INTENSIVE TECHNOLOGY. BECAUSE INDONESIA IS A FOOD DEFICIT COUNTRY AND THE WORLD'S LARGEST IMPORTER OF RICE, THE PL-480 TITLE I PROGRAM HAS BEEN A KEY ELEMENT IN OUR ASSISTANCE PROGRAM. WHILE THERE HAVE BEEN SIGNIFICANT IMPROVEMENTS IN DOMESTIC FOOD PRODUCTION, FOOD IMPORT REQUIREMENTS WILL CONTINUE TO EXIST IN NORMAL YEARS, AND PERIODIC DROUGHTS AND PEST INFESTATION WILL EXACERBATE THE NEED.

E. NEW DEPARTURES IN ECONOMIC ASSISTANCE PROGRAM ARE FORESEEN IN RURAL ELECTRIFICATION, PROVINCIAL PLANNING, EDUCATION, AND AGRICULTURE. USAID HAS INDICATIONS FROM WASHINGTON OF ANTICIPATED INCREASES IN WORLDWIDE TOTALS FOR ECONOMIC ASSISTANCE AND HAS BEEN ASKED TO PLAN ON THIS BASIS.

F. INCREASES IN ECONOMIC ASSISTANCE TO INDONESIA ARE IN INTEREST U.S. OBJECTIVES HERE SO LONG AS SUPPORT FROM GOI IS

CLEAR AND U.S. DOES NOT OUT-DISTANCE OTHER MAJOR DONORS, PARTICULARLY JAPAN. ANY INCREASE IN OVERALL AID LEVEL IN INDONESIA OBVIOUSLY HAS MANPOWER IMPLICATIONS. MANAGERIAL AND MONITORING PROBLEMS UNDER NEW DIRECTIONS HAVE ALREADY RESULTED IN SOME INCREASE IN DIRECT HIRE POSITIONS. CHIEF OF MISSION WILL REVIEW FUTURE STAFFING AS PROPOSED WITH AID DIRECTOR IN ACCORDANCE WITH AIDTO CIR 86 OF MARCH 5, 1977. GUIDING PRINCIPLE WILL BE TO INSURE MINIMUM U.S. PRESENCE NECESSARY TO PROGRAM, TO MOVE SOME PERSONNEL OUTSIDE JAKARTA, AND REDUCE DIRECT HIRE AND CONTRACT PERSONNEL ASSOCIATED WITH CAPITAL PROJECTS AS RAPIDLY AS POSSIBLE. WE ANTICIPATE ENLARGED PROGRAM WILL REQUIRE SOME INCREASE IN DIRECT HIRE BUT THAT WITH REDUCTION IN CONTRACTORS ON CAPITAL PROJECTS OVERALL NUMBERS CAN BE KEPT WITHIN PRESENT LEVELS. AID CURRENTLY HAS MODE CEILING OF 64 DIRECT HIRE OF WHICH 55 POSITIONS ARE FILLED AND HAS 184 PERSONNEL IN COUNTRY ON CONTRACT OF WHOM 123 ARE CONFIDENTIAL

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ASSOCIATED WITH CAPITAL PROJECTS NOW NEARING COMPLETION.

G. SINCE FY-79 PL-480 PROGRAM IS TO BE PROJECTED TO BE ONLY SLIGHTLY LARGER THAN THAT FOR FY78, AGRICULTURE ATTACHE STAFF APPROVED UNDER MODE FOR FY 78 SHOULD BE ADEQUATE FOR FOLLOWING YEAR.

2. SECURITY ASSISTANCE

A. ALTHOUGH GRANT MILITARY ASSISTANCE WILL PROBABLY BE TERMINATED BY FY 1979, INDONESIANS WILL CONTINUE TO LOOK TOWARD CREDIT ASSISTANCE TO HELP THEM: (A) OBTAIN THE CAPABILITY OF DETECTING AND MOVING FORCES TO MEET POSSIBLE INFILTRATIONS INTO THE WIDESPREAD ARCHIPELAGO, (B) STANDARDIZE THEIR DISPARATE WEAPONRY AND MAKE IT MORE COMPATIBLE WITH THAT OF THEIR ASEAN NEIGHBORS, AND (C) MAINTAIN SMALL NUCLEUS OF MODERN TECHNICAL EXPERTISE WITHIN THEIR ARMED SERVICES (COMPARABLE TO THAT OF THEIR ASEAN NEIGHBORS). IN MUCH BROADER SENSE, MILITARY ASSISTANCE WILL IN EYES OF GOI LEADERSHIP CONTINUE TO SYMBOLIZE U.S. INTEREST IN SECURITY OF SOUTHEAST ASIA AND PARTICULARLY INDONESIA.

B. THE COMMUNIST ASSUMPTION OF POWER IN INDOCHINA, THE WITHDRAWAL OF A U.S. MILITARY PRESENCE FROM THAILAND AND POSSIBILITY OF TRIMMING OF U.S. PRESENCE IN PHILIPPINES CAUSE THE INDONESIANS TO PLACE ADDED EMPHASIS ON ALL OF ABOVE GOALS, ALTHOUGH THEY HAVE NOT EXAGGERATED THE IMMEDIATE EXTERNAL THREAT AND CONTINUE TO ALLOCATE THE BULK OF DOMESTIC RESOURCES TO ECONOMIC DEVELOPMENT. WHILE THEY WILL PROBABLY CONTINUE TO DIVERSIFY THEIR SOURCES OF PROCUREMENT (RECENTLY PURCHASES OF MAJOR END-ITEMS HAVE BEEN MADE IN ROK, NETHERLANDS AND FRG), THEY WILL UNDOUBTEDLY REGARD U
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C. GIVEN THE INDONESIAN GOALS AND EXPECTATIONS OUTLINED ABOVE AND THE STRONG PROBABILITY THAT INDONESIA IN FY1979 WILL CONTINUE TO BE GOVERNED BY A MILITARY-BASED GOVERNMENT, A MILITARY ASSISTANCE CREDIT PROGRAM WILL CONTRIBUTE SIGNIFICANTLY TO ALL U.S. OBJECTIVES OUTLINED PARAGRAPH 6, PART I (REF B) AND IS CENTRAL TO OBJECTIVES (2) SECURITY SELF-RELIANCE, (5) ACCEPTANCE OF U.S. RAPPROCHMENT WITH EAST ASIAN COMMUNIST COUNTRIES, AND (6) PROGRESS IN HUMAN RIGHTS.

D. AS A RESULT OF INTER-AGENCY DECISION, MILITARY ASSISTANCE TO INDONESIA HAS SINCE 1971 BEEN CHanneLED INTO 26 PROJECTS, MOST OF WHICH WILL BE COMPLETED BY FY1979. PURCHASES NOW PROPOSED BY INDONESIANS FOR FMS CREDIT ARE MAJOR END-ITEMS, INCLUDING F-5E FIGHTER SQUADRON, WHICH WOULD OBSORB VIRTUALLY ALL OF CREDIT FOR FY 78, 79 AND 80, IF THIS IS MAINTAINED AT \$40 - \$50 MILLION ANNUAL LEVEL AS WE RECOMMEND. THIS REFOCUSsing OF OUR MILITARY ASSISTANCE TOWARD MAJOR END-ITEMS SHOULD PERMIT US TO LOWER RISKS THAT U.S. -- SUPPLIED EQUIPMENT WOULD BE USED IN INDONESIAN ARMED FORCE'S INTERNAL SECURITY ROLE AND TO ABSORB COMFORTABLY THE CUTS NOW PROJECTED FOR DEFENCE LIAISON GROUP (DLG) PERSONNEL. THE SIZE OF THE PROJECTED PROGRAM AND THE IMPORTANCE OF DLG IN PROVIDING ACCESS
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TO THE MILITARY LEADERSHIP ARGUES STRONGLY AGAINST REPLACING IT WITH ODC, HOWEVER.

3. INFORMATION AND CULTURAL PROGRAMS

A. USIS (AND USIS-ADMINISTERED STATE/CU) PROGRAMMING DURING FISCAL YEAR 1979 WILL AIM, AS IT DOES NOW, AT PORTRAYING THE VITALITY AND STABILITY OF THE AMERICAN SYSTEM, WHILE CONVINCING THE INDONESIANS OF OUR FIRM INTEREST IN AND COMMITMENT TO THEIR DEVELOPMENT AND THE DEVELOPMENT OF SOUTHEAST ASIA.

B. MORE SPECIFICALLY, USIS PROGRAMMING WILL CONCENTRATE ON THE PROMOTION OF US POSITIONS ON THE RANGE OF POLITICAL/ECONOMIC ISSUES LIKELY TO CONFRONT THE MISSION IN INDO-

NESIA DURING THAT PERIOD. MOST CHALLENGING FROM USIS STAND-POINT WILL BE PROMOTION OF GREATER UNDERSTANDING BY AN INCREASINLY SKEPTICAL AND NATIONALISTIC INDONESIAN PUBLIC AND LEADERSHIP OF US POSUITIONS ON ENERGY AND NORTH-SOUTH ISSUES, IN ACCORDANCE OBJECTIVE 5, PARA 6, PART I (REFB).

C. HUMAN RIGHTS IS ANOTHER ISSUE WHICH WILL DEMAND SOPHISTICATED AND SENSITIVE USIS PROGRAMMING. IMPORTANT USIS MISSIONS IN THIS AREA WILL BE TO: (1) CONFIRM TO THE INDONESIAN AUDIENCE THE IMPORTANCE ATTACHED BY THE US GOVERNMENT TO THE HUMAN RIGHTS ISSUE; (2) PROMOTE A CONTINUING DIALOGUE WITH THE GOI IN THIS AREA; AND (3) GRADUALLY NURTURE PUBLIC AND LEADERSHIP OPINION TOWARD GREATER FOCUS ON HUMAN RIGHTS IN ACCORDANCE OBJECTIVE 7, PARA 6, PART I.

D. USIS INFORMATION AND EXCHANGE PROGRAMS, AT THE SAME TIME, WILL BE INCREASINGLY TAILORED TO THE GROWING INDONESIAN NEED FOR TRAINED PERSONNEL IN THE SOCIAL SCIENCES AND SCIENCE AND TECHNOLOGY FIELDS. USIS, THROUGH SHORT AND LONG TERM EDUCATIONAL EXCHANGES, CAN MAKE A SIGNIFICANT CONTRIBUTION TOWARD MEETING INDONESIA'S MANPOWER NEEDS IN THE FIELDS OF INFORMATION RETRIEVAL, COMMUNICATIONS SYSTEMS, ETC, MARINE RESOURCES AND ENVIROMENTAL SCIENCES. USIS INFORMATION PROGRAMS CAN EDUCATE INDONESIAN PLANNERS ON THE AVAILABILITY AND APPLICABILITY OF U.S. SCIENCE AND TECHNOLOGY TO THE INDONESIAN DEVELOPMENT EFFORT.

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E. USIS WILL ALSO PLAY ROLE IDENTIFYING, TRAINING AND FOSTERING ACCESS TO THE NEW GENERATION OF INDONESIAN LEADERS WHICH WILL BE REPLACING "GENERATION OF 45" LEADERSHIP DURING THIS TIME FRAME, IN SUPPORT OF FIRST OBJECTIVE, PARA 6, PART I.

F. WE BELIEVE USIS'S CURRENT PERSONNEL AND BUDGET LEVELS ARE ADEQUATE TO MEET THE TASKS DESCRIBED ABOVE

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4. DEFENSE ATTACHE AND RELATED ACTIVITIES

A. WITH DECREASE IN DEFENSE LIAISON GROUP COMPLEMENT, DEFENSE ATTACHE'S OFFICE WILL ASSUME ADDED IMPORTANCE IN FY 1979, PARTICULARLY IN CONTINUING TO IDENTIFY AND ESTABLISH CONTACT WITH NEW GROUP OF MILITARY LEADERS WHO ARE EXPECTED TO BEGIN TO REPLACE "45 GENERATION" DURING THIS TIME PERIOD. ASSIGNMENT OF US OFFICER TO ARMY STAFF AND COMMAND COLLEGE (SESKOAD) WILL ALSO BE HELPFUL IN THIS REGARD. CHANGES IN INDONESIAN TOP COMMAND POSITIONS EXPECTED AFTER 1978 PRESIDENTIAL ELECTIONS WILL INCREASE VALUE OF HIGH LEVEL VISITS TO U.S. DURING 1979. WE BELIEVE SHIP VISITS SHOULD PROCEED THROUGH FY1979 AT CURRENT FREQUENCY.

B. DEFENSE ATTACHE'S OFFICE HAS REQUESTED AND AMBASSADOR HAS CONCURRED IN RE-ESTABLISHMENT OF ASSISTANT AIR ATTACHE POSITION TO PERMIT AIR ATTACHE TO COMMIT MORE OF HIS TIME TO SUBSTANTIVE WORK (VICE AIRCRAFT CLEARANCES AND SERVICING AR-

RANGEMENTS FOR EXAMPLE). DOD HAS NOT YET, HOWEVER, ALLOCATED THE POSITION. DOD FUNDING OF SOME SUPPORT COSTS OF SESKOAD STUDENT IN BANDUNG MIGHT ALSO BE REQUIRED FOR CONTINUATION OF THIS PROGRAM. OTHER CURRENT FUNDING AND PERSONNEL LEVELS SHOULD BE ADEQUATE.

5. U.S. NAVAL MEDICAL RESEARCH UNIT. U.S. NAVAL MEDICAL RESEARCH UNIT 2 (NAMRU) CONTRIBUTES DIRECTLY TO OUR GOAL OF IMPROVING INDONESIAN HEALTH CONDITIONS BY IDENTIFYING AND DEFINING THE IMPORTANCE OF INFECTIOUS DISEASES IN INDONESIA AND DEVELOPING NEW AND IMPROVED METHODS OF DIAGNOSIS, CONTROL, CONFIDENTIAL
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PREVENTION, AND TREATMENT. NAMRU WISHES TO RELOCATE IN INDONESIA CERTAIN ELEMENTS OF ITS HEADQUARTERS TO BE PHASED OUT OF TAIPEI OVER NEXT 18 MONTHS. AMBASSADOR HAS GIVEN HIS APPROVAL ON CONDITION THESE ADDITIONAL FUNCTIONS ARE APPROVED BY GOI AND NAMRU PERSONNEL CEILING UNDER MODE IS NOT EXCEEDED.

6. DRUG ENFORCEMENT PROGRAM. INDONESIA HAS THE POTENTIAL TO BECOME AN IMPORTANT SOURCE OF NARCOTICS. MARIHUANA GROWN IN SUMATRA IS EXTREMELY POTENT, AND THE COCA BUSH GROWS ILD IN MANY PARTS OF JAVA. HERION IS PRESENTLY IN SHORT SUPPLY, BUT OPIUM IS READILY AVAILABLE, AND LOCAL DEMAND REMAINS CONSTANT. THE DEA OFFICE HERE, WORKING CLOSELY WITH INDONESIAN AUTHORITIES, HAS PROVIDED INTELLIGENCE WHICH FORMED THE BASIS FOR A MAJOR OPERATION AGAINST DRUG TRAFFICKERS, RESULTING IN OVER 600 ARRESTS SO FAR. THE INCREASING WORKLOAD HAS MADE NECESSARY THE ADDITION OF ANOTHER AMERICAN AGENT TO THE CURRENT STAFF OF ONE AGENT, A LOCAL ASSISTANT AND A SECRETARY. INDONESIAN AUTHORITIES HAVE AGREED TO THIS INCREASE, IN ANTICIPATION OF INCREASED BILATERAL COOPERATION IN NARCOTICS CONTROL EFFORTS. THEY WILL CONTINUE TO INSIST, HOWEVER, THAT THE DEA ROLE IN INDONESIA BE ONE OF LIAISON RATHER THAN INDEPENDENT INVESTIGATION. WE BELIEVE \$125,000 NOW PROJECTED FOR FY 79 ASSISTANCE THROUGH AID TO OVERALL INDONESIAN ANTI-NARCOTIC EFFORTS IS FULLY JUSTIFIED.
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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, ANNUAL REPORTS, INTELLIGENCE ASSESSMENTS
Control Number: n/a
Copy: SINGLE
Sent Date: 30-Mar-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977JAKART03991
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770108-1183
Format: TEL
From: JAKARTA
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t1977038/aaaaagem.tel
Line Count: 643
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: d26d5ebb-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: STADIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 12
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: STADIS
Reference: 77 STATE 38356, 77 STATE 977
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 18-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3167161
Secure: OPEN
Status: NATIVE
Subject: PARM: ANNUAL POLICY AND RESOURCE ASSESSMENT; PART II: RESOURCES ASSESSMENT
TAGS: AMGT, PFOR, ID
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/d26d5ebb-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009